

## Message Text

UNCLASSIFIED

PAGE 01 TORONT 00199 202350Z  
ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01 CIAE-00  
CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07  
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15  
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/119 W

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R 202155Z JAN 77  
FM AMCONSUL TORONTO  
TO SECSTATE WASHDC 4868  
INFO AMEMBASSY OTTAWA  
AMCONSUL CALGARY

UNCLAS TORONTO 0199

E.O. 11652: N/A  
TAGS: ENRG,CA  
SUBJECT NATURAL GAS SITUATION CONFUSED

1. THE NEWS OF EMERGENCY CANADIAN NATURAL GAS SALES TO THE UNITED STATES TO MEET THE CRISIS SITUATION CAUSED BY SEVERE COLD WEATHER WAS ONLY ONE OF FOUR STORIES ON NATURAL GAS IN THE TORONTO MEDIA JANUARY 19 AND 20. THE ELECTRONIC MEDIA GAVE CONSIDERABLE ATTENTION TO THE SPEECH BY NDP LEADER BROADBENT BEFORE KIWANIS IN WHICH HE EXPRESSED SERIOUS RESERVATIONS ABOUT THE MACKENZIE VALLEY PIPELINE CONCEPT PROPOSED BY CANADIAN ARCTIC GAS. FROM THE EXCERPTS ON TELEVISION AND THE RADIO, HIS PRINCIPAL OBJECTION APPEARED TO BE THAT THE PROGRAM CALLED FOR THE CANADIAN FEDERAL GOVERNMENT TO GUARANTEE CONSTRUCTION COST OVERRUNS WHICH BROADBENT SAID COULD RUN TEN OR MORE BILLION DOLLARS. THERE WAS ALSO THE SUGGESTION IN THE NEWSCAST INTRODUCTION OF THE EXCERPTS THAT BROADBENT WAS PARTICULARLY CONCERNED THAT THIS TREMENDOUS AMOUNT OF THE CANADIAN TAXPAYER MONEY MIGHT BE SPENT TO GUARANTEE ENERGY SUPPLIES TO THE UNITED STATES IN REALITY.

2. THE TORONTO STAR'S BUSINESS EDITOR, JACK MCARTHUR, IN HIS UNCLASSIFIED

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PAGE 02 TORONT 00199 202350Z

JANUARY 20 COLUMN, RECOUNTED HOW, WHILE NEW YORK'S NIAGARA MOHAWK POWER CORP. RECENTLY STOPPED THE FLOW TEMPORARILY TO MORE THAN 500 FACTORIES AND TWO UTILITIES IN THE MID-WEST CUT OFF 4,500 INDUSTRIAL CUSTOMERS THE ONTARIO NATURAL GAS DISTRIBUTING COMPANIES, UNION GAS OF CHATHAM AND CONSUMERS GAS CO. OF TORONTO ARE BOTH WELCOMING NEW INDUSTRIAL CUSTOMERS. HE RECOUNTED HOW, DESPITE

DIRE PREDICTIONS TWO AND THREE YEARS AGO REGARDING IMPENDING SHORTAGES, BOTH COMPANIES FELT THEY CAN SUPPLY NOT ONLY EXISTING CUSTOMERS BUT POTENTIAL CUSTOMERS UNTIL THE MID-1980S. MCARTHUR COMMENTED THAT SALES OF BOTH COMPANIES WERE UP 40 PERCENT IN THE LAST FISCAL YEAR ENDING SEPTEMBER 30 AND THAT, SINCE ACTUAL GAS VOLUMES DID NOT INCREASE, SALES FIGURES REFLECT HIGHER PRICES CHARGED FOR NATURAL GAS. MCARTHUR COMMENTED THAT THIS IS ONE REASON WHY ONTARIO IS NOT AS CONCERNED AS IN THE PAST REGARDING GAS USAGE BECAUSE "ENERGY IS PROVING MORE PRICE SENSITIVE THAN EXPECTED," QUOTING THE PRESIDENT OF CONSUMERS' GAS. INDUSTRIES ARE REPORTED TO BE ECONOMIZING, HOUSEHOLDS ARE BEING INSULATED AND THE "DEMAND IS NOT RISING AT ITS OLD FREEWHEELING PACE." BOTH COMPANIES WERE REPORTED CONCERNED ABOUT THE SUPPLY SITUATION IN 1982-85 WITH NEW ALBERTA GAS DISCOVERIES PROVIDING SOME CUSHION UNTIL THAT TIME. THE MID-1980 QUESTION MARK IS BECAUSE OF THE UNCERTAINTY SURROUNDING THE NEW PIPELINE FROM THE NORTHWEST ARCTIC.

3. THE WHOLE QUESTION OF REALISTIC INFORMATION ON NATURAL GAS SUPPLY WAS THE SUBJECT OF THE LEAD EDITORIAL IN THE FINANCIAL POST DATED JANUARY 22. THE EDITORIAL QUOTED CONFLICTING OPINIONS OF CANADIAN ARCTIC PIPELINES LTD, AND FOOTHILLS PIPE LINES LTD., THE FORMER CLAIMING CANADIAN ARCTIC GAS WILL BE NEEDED IN URBAN CENTER IN CANADA BY 1981 - 1982, THE LATTER HOLDING THAT NEW ALBERTA DISCOVERIES ENSURE SUPPLY WELL INTO THE 1980S. "TRANSCANADA PIPELINES LTD'S RECENT DECISION TO SUSPEND PURCHASE OF ALBERTA GAS IS BEING INTERPRETED BY SOME EXPERTS AS EVIDENCE OF A GLUT OF GAS IN ALBERTA." THE FINANCIAL POST UNDERLINES THE NEED UNCLASSIFIED

UNCLASSIFIED

PAGE 03 TORONTO 00199 202350Z

FOR PROMPT SETTLEMENT OF THE SUPPLY/DEMAND QUESTION IN VIEW OF LEAD TIMES FOR PIPELINE CONSTRUCTION AND THE GREATER NEED TO RESOLVE INCONSISTENCIES THAT "SIMPLY ADD TO PUBLIC CONFUSION OVER WHAT IS A COMPLEX ENOUGH SITUATION ALREADY. DIGGINS

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## Message Attributes

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**Review Markings:**  
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